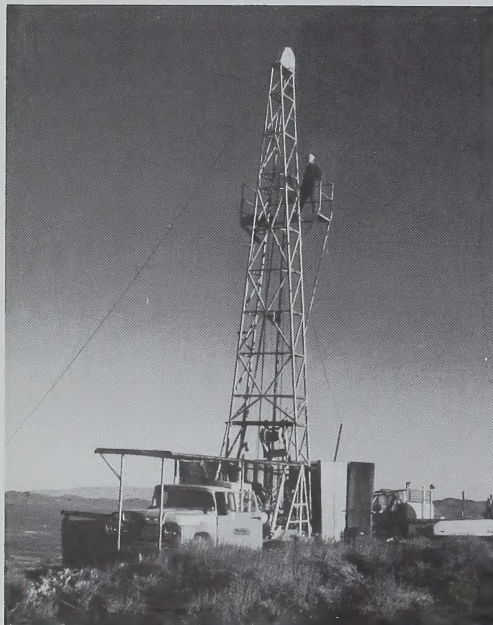


# Iso Mines Limited



*Annual Report 1972*





#### **DIRECTORS**

N. B. Keevil Jr.  
J. H. Westell  
R. A. Cranston  
J. C. Frantz  
G. C. McCartney  
A. C. Nixon  
W. R. Bergey

#### **OFFICERS**

N. B. Keevil Jr., *President*  
J. H. Westell, *Vice-President*  
W. R. Bergey, *Vice-President, Exploration*  
W. H. Maedel, *Secretary*  
R. D. Penrose, *Treasurer*  
J. D. Munroe, *Assistant Secretary*  
D. S. Brown, *Assistant Secretary*

#### **HEAD OFFICE**

Suite 4900, Box 49, Toronto-Dominion Centre,  
Toronto M5K 1E8, Ontario

#### **TRANSFER AGENTS AND REGISTRARS**

Guaranty Trust Company of Canada

#### **AUDITORS**

Evans, Moore & Powell

#### **SOLICITORS**

Lang, Michener, Cranston, Farquharson & Wright

#### **ANNUAL MEETING**

Royal York Hotel, Toronto, Ontario  
Wednesday, June 27th, 1973, 10:00 a.m.



N. B. Keevil Jr.

#### TO THE SHAREHOLDERS:

As a result of the agreement between Teck Corporation and Iso under which Teck provides funds for exploration and earns Iso shares, exploration during the year and subsequent months has been at a relatively high level. Major projects include the Magusi River copper-zinc deposit, on which feasibility study work is in progress, and the Twin Bridges copper deposit which is still in the exploration stage.

Other important assets of the company include its shareholdings in Mattagami Lake Mines (168,500 shares), Afton Mines (468,703 shares) and Orchan Mines (85,700 shares).

#### Afton Mines Ltd.

During the year, Iso purchased 468,703 shares of Afton Mines Ltd. Iso's holdings, combined with Teck Corporation, represent 51% of the outstanding capitalization of Afton.

Afton holds a property near Kamloops, British Columbia, on which a substantial copper deposit has been outlined. The company has reported reserves of "over 30,000,000 tons grading slightly better than 1% copper, with additional values in gold and silver". Most of the known mineralization is recoverable by open pit mining methods.

Management of the Afton property was subject to dispute in the courts at year end, but an agreement to settle the matter was reached recently, and drilling and development planning is scheduled to resume shortly.

#### Magusi River Project, Noranda, Quebec

The Magusi River deposit is being explored jointly with Copperfields Mining Corporation. It was located as a result of follow-up of a regional airborne electromagnetic survey carried out by the Quebec Department of National Resources.

The deposit consists of banded massive sulphides in volcanic rocks and is similar to other deposits in the Noranda area. Copper, zinc, gold and silver values are present with a tendency towards separate copper-rich and zinc-rich zones. Shallow definition drilling has been completed with 76 diamond drill holes to date, but additional deeper drilling is continuing to test the deposit further. The deepest intersections to date are 1300 feet below the surface.

Exploration drilling will be done to the east and west of the presently known limits of the deposit to test I.P. anomalies and to test the east boundary of the property near the adjoining New Inscro deposit, which has been intersected by drilling within 50 feet of our boundary.

Metallurgical and other engineering studies necessary for a feasibility report and production decision are going forward.

Drill-indicated reserves outlined to date are estimated at 4,110,000 tons averaging 1.20% copper, 3.55% zinc, 0.032 oz. gold per ton, and 0.91 oz. silver per ton. This includes 1,582,000 tons of copper ore grading 2.47% Cu, 1.12 oz. Ag, 0.009 oz. Au and 0.42% Zn; and 2,528,000 tons of zinc ore grading 5.51% Zn, 0.41% Cu, 0.78 oz. Ag and 0.046 oz. Au. It is possible that approximately half of this tonnage may be mined by open pit mining methods, after which conversion would be made to underground mining.



### Twin Bridges Project, Montana

Iso and Copperfields are jointly exploring a metasomatic copper deposit south of Butte, Montana. A total of 87 vertical percussion holes have been drilled. Nine of these have recently been deepened by diamond drilling, and two inclined diamond drill holes have been put down. It is estimated that drilling to date has indicated approximately 2,500,000 tons of 1.33% Cu, of which 680,000 tons averaging 1.29% Cu consists principally of oxidized copper mineralization. Assays of composite samples indicate that the gold content should average about 0.013 oz. per ton and silver about 0.5 oz. per ton. Metallurgical work is in progress to test methods of treating both the sulphide and oxide ore and to indicate the recoveries and nature of products that can be produced.

The configuration of the deposit is complex, and closely-spaced drilling is necessary to follow the mineralization which, in common with most skarn deposits, varies considerably from section to section. Additional work is necessary before it can be determined if a mineable deposit is present.

Iso and Copperfields can jointly obtain a 75% interest in the Twin Bridges project, subject to a 5% net smelter return royalty, upon arranging to bring the property into production.

### Other Exploration

Iso participated as to 25% in an airborne electromagnetic project in Newfoundland and 42% in a similar one in Ontario. Five drill holes encountered barren

sulphides, and no further work is planned on these projects.

A number of Quebec properties were staked, other than in the immediate Magusi area. Seven conductors were drilled but nothing of interest was encountered.

In British Columbia, surface work and limited diamond drilling were done on optioned claims that include the old Yreka copper deposit on Vancouver Island. Results were disappointing and the option was relinquished. Work was carried out on two properties in the Princeton area, but trenching and drilling failed to come up with commercial values. Surface work is now in progress on 40 claims in the Aspen Grove area of Central B.C.

Iso is participating in exploration of the Makao property, five miles east of Afton. Forty-four percussion holes and four diamond drill holes have been completed in an area of copper mineralization. Results are now being assessed and correlated with data from previous work.

In the United States shallow drilling was done to test a fluorite deposit near Ely, Nevada, and samples are out for assay. Assessment work was carried out on properties in Santa Cruz County, Arizona, in which Iso holds a one-third interest. Negotiations to farm these out to a U.S. company are now in progress.

### Dumagami Mines Ltd.

Iso retained its 18% interest in this company which holds a gold, silver, copper prospect in the Cadillac area of Quebec. No work was done on the property in the current year.

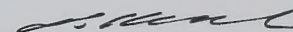
### Della Mines Ltd.

Iso Explorations Ltd., an 80% subsidiary of Iso Mines, holds approximately 26% of the issued shares of Della Mines Ltd., a B.C. exploration company.

Della completed 1442 feet of tunnelling and 25 underground drill holes on its bismuth-zinc-copper-lead-silver prospect in the Mt. Haskin area of northern B.C. All drill holes and 923 feet of tunnelling were on the upper (5060 foot) level, and the drilling extended the mineralized zone a further 450 feet to the north. The remaining 419 feet of crosscut was on the lower (4790 foot) level, and was stopped last fall 900 feet from the downward projection of the mineralized zone.

Iso provided one-third of the funding for this programme. It has not yet been determined whether a further programme will be carried out in 1973.

On behalf of the Board,



May 16, 1973.

N. B. Keevil Jr., President

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1972

<hr/>		
ASSETS	1972	1971
	\$	\$
<b>Current</b>		
Cash .....	7,204	11,110
Accounts receivable and prepaid charges .....	57,408	13,801
Marketable securities at cost and having a quoted market value of \$6,700,000		
(1971 - \$7,790,000) - Note 1 .....	<u>323,671</u>	<u>355,621</u>
	<u>388,283</u>	<u>380,532</u>
Investments in and advances to associated and other companies at cost		
less amounts written off - Note 2 .....	<u>7,078,893</u>	<u>493,647</u>
Field and office equipment - at cost .....	<u>37,317</u>	<u>34,567</u>
Mining properties, deferred development and administration - at cost		
less amounts written off - Note 3 .....	<u>602,535</u>	<u>462,293</u>
	<u>8,107,028</u>	<u>1,371,039</u>

**LIABILITIES**

	1972 \$	1971 \$
<b>Current</b>		
Bank loan - Notes 1 and 2 .....	3,878,500	555,000
Accounts payable .....	<u>129,514</u>	<u>32,985</u>
	<u>4,008,014</u>	<u>587,985</u>
<b>Advances</b> .....	<u>-</u>	<u>28,335</u>

**SHAREHOLDERS' EQUITY****Capital****Authorized**

5,000,000 shares of \$1 par value

**Issued and fully paid - Notes 4 and 5**

3,280,005 shares (1971 - 3,250,005 shares) ..... 3,280,005 3,250,005

Less - Discount thereon ..... 2,245,900 2,275,000

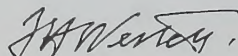
1,034,105 975,005

**Retained Earnings or (Deficit)** ..... 3,064,909 (220,286)4,099,014 754,7198,107,028 1,371,039

Approved on Behalf of the Board,



Director



Director

CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 1972

	1972 \$	1971 \$
Dividends received .....	336,575	370,280
General and administrative expenses .....	<u>405,941</u>	<u>90,656</u>
<b>Operating (Loss) Profit Before Exploration Write Offs .....</b>	<b>(69,366)</b>	<b>279,624</b>
Mining exploration written off .....	<u>184,488</u>	<u>236,110</u>
<b>Net (Loss) Earnings for the Year Before Extraordinary Items .....</b>	<b><u>(253,854)</u></b>	<b><u>43,514</u></b>
Extraordinary items:		
Profit on sale of marketable securities .....	3,539,049	149,036
Leasehold improvements written off .....	-	(10,816)
Loss on disposal of equipment .....	<u>-</u>	<u>(14,106)</u>
	<u>3,539,049</u>	<u>124,114</u>
<b>Net Earnings for the Year .....</b>	<b><u>3,285,195</u></b>	<b><u>167,628</u></b>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1972

	1972 \$	1971 \$
<b>Balance - January 1 (Deficit) .....</b>	<b>(220,286)</b>	<b>(387,914)</b>
<b>Add - Net earnings for the year .....</b>	<b><u>3,285,195</u></b>	<b><u>167,628</u></b>
<b>Balance - December 31 (Deficit) .....</b>	<b><u>3,064,909</u></b>	<b><u>(220,286)</u></b>



CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1972

	1972 \$	1971 \$
<b>Source of Funds</b>		
Net income (loss) for the year before exploration write offs .....	(69,366)	279,624
Profit on sale of marketable securities .....	3,539,049	149,036
Proceeds on sale of treasury shares .....	59,100	-
Proceeds on disposal of equipment .....	-	13,169
Advances received .....	-	23
	<u>3,528,783</u>	<u>441,852</u>
<b>Use of Funds</b>		
Investment in and advances to associated companies .....	6,585,246	81,640
Deferred development, administration and exploration .....	353,115	292,838
Fixed assets purchased .....	<u>2,700</u>	<u>3,700</u>
	<u>6,941,061</u>	<u>378,178</u>
<b>Increase (Decrease) in Working Capital</b> .....	(3,412,278)	63,674
<b>Working Capital (Deficiency) at January 1</b> .....	<u>(207,453)</u>	<u>(271,127)</u>
<b>Working Capital (Deficiency) at December 31</b> .....	<u><u>(3,619,731)</u></u>	<u><u>(207,453)</u></u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Iso Mines Limited as at December 31, 1972 and the consolidated statements of retained earnings, operations and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1972

---

### Note 1 -

Certain of these investments are pledged as collateral security for the bank loans.

### Note 2 -

The investments in associated and other companies are not considered to be temporary investments. They include marketable securities acquired at a cost of \$6,608,000 which had a quoted market value of \$3,950,000 at December 31, 1972 (1971 - \$215,148 and \$90,000 respectively). These amounts include the cost and market value of certain purchased escrowed shares. The market value for these escrowed shares at December 31, 1972 is \$297,000 and has been calculated at the same quoted market value as that for free shares.

The indicated market value of all shares included in investments may not necessarily reflect the present or ultimate value of these holdings, which may be more or less than that indicated by the cost or market quotations.

### Note 3 -

The amount shown as cost for mining claims and exploration represent the costs to date less any amounts written off and do not necessarily reflect present or future values.

### Note 4 -

There are options outstanding on 20,000 shares of the company's capital stock at \$1.97 which may be taken up on a cumulative basis to a maximum of 10,000 shares a year for each of 1973 and 1974 and expiring on November 4, 1979. During 1972, 30,000 shares were issued for cash under the terms of this agreement.

### Note 5 -

The Company entered into an agreement with Teck Corporation Limited (Teck) approved by shareholders of the Company at the Annual and General Meeting held on July 31, 1972, under which Teck will incur expenditures of \$300,000 on exploration of the Company's properties during the 12 month period ending June 30, 1973, and may, in its absolute discretion, incur additional expenditures of up to \$300,000 in each of the next four successive 12 month periods. In consideration for such expenditures incurred prior to June 30, 1973, the Company will issue to Teck 150,000 of its shares and thereafter will issue shares in consideration of exploration expenditures incurred at a price to be determined by taking the average price on The Toronto Stock Exchange for the 90 day period prior to exercise, less allowable underwriting discounts, but not exceeding \$300,000 in value in any one year period. After incurring such expenditures, Teck has a further option to acquire for cash \$150,000 worth of shares for each \$300,000 of expenditures incurred, the price to be determined in the same manner as for shares taken down in consideration of exploration expenditures during the same 12 month period.

As at December 31, 1972, Teck had incurred expenditures of approximately \$225,000 pursuant to this agreement.

### Note 6 -

During 1972, Iso and Teck Corporation Limited acquired a majority shareholding in Afton Mines Ltd. Immediately after this acquisition, Canadian Exploration Limited (Canex) and Afton executed a development agreement which could eliminate the majority position of Iso and Teck. An action was commenced to set aside the agree-

ment, but this was dismissed with costs on December 8, 1972. An appeal against this decision has been filed by the companies' solicitors.

The company is liable for its portion of the costs of litigation awarded against it in the Afton decision, but these costs are not known at this time.

### Note 7 -

Aggregate direct remuneration paid during 1972 to directors and senior officers of the company amounted to \$37,353 (1971 - \$36,888).

### Note 8 -

The accounts of the U.S. subsidiary, Iso Nevada Limited, have been converted into Canadian dollars as follows:

- (a) Fixed Assets — at the rates prevailing at the date of acquisition
- (b) Current Assets and Liabilities — at the rate prevailing at December 31, 1972
- (c) Expenses — at the average rate prevailing throughout the year.

### Note 9 -

Iso Mines Limited holds an 80% interest in its subsidiary Iso Explorations Ltd., and a 100% interest in Iso Nevada Limited. The minority interest in the deficit of Iso Explorations Ltd. amounted to \$67,697 at December 31, 1972 (1971 - \$35,894) which amount is included in the consolidated retained earnings of \$3,064,909 appearing in these financial statements.



